

Message Text

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ACTION EUR-12

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EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00
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USEEC

PARIS ALSO FOR OECD

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E.O. 11652: N/A
TAGS: EEC, ETRD, EIND
SUBJECT: EC COMMISSION PROPOSAL ON AIDS TO STEEL SECTOR

1. EC COMMISSION COMPETITION OFFICIALS (DG IV) ARE PREPARING A DRAFT COMMISSION DECISION COVERING THE GRANTING OF NATIONAL AIDS TO THE STEEL INDUSTRY. THIS PROPOSAL HAS TWO MAIN OBJECTIVES: TO GIVE THE COMMISSION MORE DIRECT CONTROL OVER CAPACITY INVESTMENT BY REQUIRING PRIOR NOTIFICATION OF ASSISTANCE GIVEN TO THE COMPANIES AND TO PRESENT GUIDELINES FOR AIDS INDICATING THEIR COMPATIBILITY WITH A COMMON MARKET FOR STEEL.

2. UNDER THE PROPOSAL AIDS WHICH AIM SOLELY TO PRESERVE EXISTING STRUCTURES AND WHICH MAINTAIN OR LEAD TO OVERCAPACITY IN SECTORS OR SUB-SECTORS WOULD NOT BE ALLOWED.
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AIDS GRANTED FOR RESCUE OPERATIONS OR FOR ADAPTATION TO NEW MARKET CONDITIONS SHOULD BE LIMITED IN DURATION AND SHOULD BE APPROPRIATE TO THE PROBLEMS THEY ARE DESIGNED TO SOLVE.

3. COMPETITION OFFICIALS FEEL THAT THESE PROPOSALS WOULD GIVE THE COMMISSION CONTROL OVER STEEL AIDS THAT IT

ALEADY POSSESSES FOR OTHER SECTORS UNDER THE EEC TREATY. COMMISSIONER DAVIGNON, RESPONSIBLE FOR INDUSTRIAL AFFAIRS, HAS BEEN PUSHING THE PROPOSAL AS AN IMPORTANT TOOL IN HIS STEEL POLICY. THEORETICALLY STATE AIDS TO STEEL INDUSTRIES ARE PROHIBITED UNDER ARTICLE 4 OF THE EUROPEAN COAL AND STEEL COMMUNITY TREATY, BUT MEMBER STATES HAVE USED ARTICLE 67, WHICH ALLOWS MEMBER STATE ACTIONS IN SOME CIRCUMSTANCES, TO JUSTIFY THEIR ASSISTANCE TO FIRMS AND THE COMMISSION HAS NOT BEEN ZEALOUS IN PURSUING QUESTION-ABLE ACTIONS DURING THE CRISIS. AUTHORS OF THE PROPOSAL FEEL THEIR WORK WILL REMOVE THIS AMBIGUITY BY SETTING A NEW JUDICIAL BASE, IN EFFECT REPLACING ARTICLES 4 AND 67. THIS CAN BE DONE UNDER ARTICLE 95 WHICH PROVIDES FOR DECISIONS OR RECOMMENDATIONS BY THE COMMISSION WHEN NECESSARY TO ATTAIN OBJECTIVES OF THE TREATY.

4. THIS PROCEDURE REQUIRES UNANIMOUS ASSENT OF THE COUNCIL, HOWEVER, AND COMPETITION OFFICIALS EXPECT ROUGH GOING FOR THEIR PROPOSAL WHEN THE MEMBER STATES SEE IT. A UK PERMDEL SOURCE TOLD MISSION THAT THE UK WOULD HAVE SERIOUS QUESTIONS TO RAISE WITH REFERENCE TO THE POSI-TION OF THE BRITISH STEEL CORPORATION. AS DRAFTED, THE PROPOSAL AVOIDS DEFINITION OF AN AID AND USES THE TERM "INTERVENTION". AUTHORS SAY IT WOULD BE ALMOST MEANINGLESS TO DEAL ONLY WITH CONVENTIONAL AIDS AND FAIL TO TAKE INTO ACCOUNT THE FINANCIAL RELATIONSHIPS WHICH HAVE DEVELOPED LIMITED OFFICIAL USE

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BETWEEN GOVERNMENTS AND PUBLIC CORPORATIONS.

5. THE COMMISSION EXPECTS TO FINALIZE ITS DRAFT FOR TRANSMITTAL TO MEMBER STATE PERMANENT REPRESENTATIONS WITHIN A FEW WEEKS. MORRIS

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